

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 1580

SPONSOR: Education Committee and Senators Aronberg and Bullard

SUBJECT: Innovation Florida Scholarships

DATE: March 26, 2004

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Woodruff</u>	<u>O'Farrell</u>	<u>ED</u>	<u>Fav/CS</u>
2.	<u>Kruse</u>	<u>Maclure</u>	<u>CM</u>	<u>Fav/1 amendment</u>
3.	<u>White</u>	<u>Wilson</u>	<u>GO</u>	<u>Favorable</u>
4.	_____	_____	<u>AED</u>	_____
5.	_____	_____	<u>AP</u>	_____
6.	_____	_____	_____	_____

I. Summary:

Committee Substitute for SB 1580 creates the "Innovation Florida Scholarships for Developing High-Tech Jobs Program," which provides for annual need-based financial assistance scholarships to Florida high school graduates. To qualify, a student must earn a cumulative grade point average of at least a 3.0 on a 4.0 scale and, unless the student enlists in the United States Armed Forces directly out of high school, enroll in a certified degree program at an eligible Florida postsecondary institution within three years after graduation from high school. The certified degree program must address employment in advanced manufacturing, life sciences, information technology, or high-technology logistics. The committee substitute requires a scholarship recipient to complete a summer internship before the start of the senior year in college and to maintain a cumulative grade point average of at least a 2.75 on a 4.0 scale in order to receive renewal scholarship awards. The committee substitute appropriates \$30,000,000 for fiscal year 2004-2005 and also provides for annual appropriations to support the program.

The committee substitute creates section 1009.892, Florida Statutes.

II. Present Situation:

High-Tech Industry Growth

Many states are attempting to establish themselves as centers for high-technology industries in order to draw businesses involved in these industries to their state. States utilize a variety of methods to attract businesses engaged in high-technology industries, including incentives and grants. A business location choice is often influenced by the presence of a well-educated workforce in a state. States that have a well-educated workforce will market that fact to a high-technology business. Encouraging the study of academic disciplines related to

high-technology industries at a state's universities and community colleges is one approach to establishing a qualified and educated workforce.

Florida's annual high-technology payroll in 2000 was approximately \$12.7 billion, and its annual average salary in this sector at that time was more than \$54,000. Enterprise Florida, Inc., which has overall responsibility for the retention and recruitment of businesses to the state, markets to businesses that Florida has a highly skilled workforce and supports key industries in the high-technology sector. Enterprise Florida's website states:

As a leading Cyberstate, Florida has a large and robust technology base, and a strong historical role in pushing the technology envelope.

From the birth of the nation's space program in the 1950s in Cape Canaveral, to work with early laser technology during the 1960s in Central Florida, to the development of the IBM personal computer in Boca Raton in the early 1980s, Florida has long been at the forefront of technological advances.

Today, Florida's key industries are continuing to develop new state-of-the-art technologies. Innovative organizations in the information technology, life sciences, aviation/aerospace, homeland security/defense, financial/professional services sectors are molding the future, and continue to make Florida a key player in the New Economy.¹

No Floridian lives more than 50 miles from an institution of post-secondary learning. Florida's labor market has been especially strong in high value added businesses and services, including high-tech industries and international trade. There are approximately 240,000 high-tech workers in Florida, the fifth highest in the nation.²

Student Financial Assistance

Students seeking federal student aid must apply by completing and submitting the "Free Application for Federal Student Aid" with the United States Department of Education.³ This application is used to apply for federal student financial aid, including grants, loans, and work-study. After the application is submitted to the U.S. Department of Education, the department prepares a Student Aid Report, which applies a formula from the Higher Education Act of 1965, as amended, to the information provided in the student aid application and results in the student's Expected Family Contribution (EFC). The EFC measures the student's family financial strength and is used to determine eligibility for federal student aid. The student's EFC is used by the student's college or university to prepare a financial aid package to help meet the student's *financial need*. The term "financial need" means the difference between the student's

¹ Enterprise Florida, Inc., Business Advantages, *Technology Leadership*, available at <http://www.eflorida.com/businessadvantages/default.asp?level1=1&tn=&bn=> (last visited March 19, 2004).

² Enterprise Florida, Inc., Business Advantages, *Workforce Talent*, available at <http://www.eflorida.com/businessadvantages/default.asp?level1=1&tn=&bn=> (last visited March 19, 2004).

³ U.S. Department of Education, *General Student Aid Information*, available at <http://www.fafsa.ed.gov/before014.htm> (last visited March 18, 2004).

EFC and the college's or university's cost of attendance (which can include living expenses), as determined by the college or university.

In Florida, the term "financial need" is commonly referred to as "net financial need" or "demonstrated unmet need." Under current rules of the Department of Education, the term "net financial need" means "[t]he difference between the student's cost of education and the expected family contribution and other financial aid resources available to the student to meet this cost."⁴ The similar term "demonstrated unmet need" is used in several state financial aid programs, including the Florida Public Student Assistance Grant Program,⁵ the Florida Private Student Assistance Grant Program,⁶ and the Florida Postsecondary Student Assistance Grant Program.⁷ All three of these programs require an applicant to apply for a federal Pell Grant as part of the application process.⁸

III. Effect of Proposed Changes:

Innovation Florida Scholarships for Developing High-Tech Jobs Program

The committee substitute creates the "Innovation Florida Scholarships for Developing High-Tech Jobs Program," which provides for need-based scholarships to be paid to Florida high school graduates who enroll in certified degree programs that provide training for certain targeted industries.

Certified Degree Programs and Targeted Industries

"Certified degree program" means a degree program that: is certified by the Department of Education; addresses the need for support of degree programs in targeted employment areas; and includes an internship component. "Targeted employment" means employment in any of the following areas:

- *Advanced manufacturing*--automotive and electronics, aerospace technology, robotics, and engineering design technology;
- *Life sciences*--orthopedics or medical devices, biomedical research or development, pharmaceutical manufacturing, agribusiness, and nanotechnology or molecular manufacturing;
- *Information technology*--informatics, certified network administration, software development, and fiber-optics; and
- *High-technology logistics*--high-technology distribution; efficient and effective flow and storage of goods, services, or information, and intermodal ports.

⁴ Chapter 6A-20.001(21), F.A.C.

⁵ Section 1009.50, F.S.

⁶ Section 1009.51, F.S.

⁷ Section 1009.52, F.S.

⁸ Sections 1009.50(2)(b), 1009.51(2)(b), and 1009.52(2)(b), F.S.

Administration by the Department of Education

The committee substitute provides for the scholarship program to be administered by the Department of Education (department) according to rules and procedures established by the State Board of Education. The department is required to advertise the availability of the scholarship program and must begin to notify educators of the program's criteria and application procedures by January 1 of each year.

The committee substitute provides for the department to issue scholarships annually. The committee substitute requires the department to advance funds for the scholarships to a student's college or university before the registration period each semester. Within 30 days after the registration period, the college or university is required to certify to the department the eligibility status of each student. Within 60 days after the registration period, the college or university must certify the amount of funds paid to each student and must return any undisbursed scholarship funds to the department.

Although the college or university is not required to reevaluate or revise a student's eligibility status after a drop-and-add period, if the student terminates enrollment during the semester and the college or university permits the student to receive a refund of tuition and fees, the college or university must repay the scholarship to the department.

Each college or university receiving funds under the scholarship program must prepare an annual report, including an annual financial audit of the scholarship funds. The audit must be conducted by an independent certified public accountant or the Auditor General. The annual report must be submitted to the department by March 31 of each year. If a college or university does not submit its annual report, the department may withhold future payment of scholarships.

The committee substitute authorizes the department to conduct its own annual audit of a college's or university's program administration. If the department requests a refund of overpaid funds, the college or university must repay the funds within 60 days. The committee substitute also allows the department to suspend or revoke a college's or university's eligibility to receive future scholarship payments for noncompliance with these requirements.

The committee substitute authorizes the State Board of Education to adopt rules to administer the Innovation Florida Scholarships for Developing High-Tech Jobs Program.

Eligibility Criteria

The committee substitute provides eligibility criteria for a student to apply for the scholarship. To be eligible for a scholarship, a student must:

- Be a Florida resident;
- Have earned a standard Florida high school diploma or the equivalent, with certain exceptions (i.e., early admission programs, home education programs, or a diploma from a non-Florida high school earned while living with a parent who is on a military or public service assignment);

- Have achieved a cumulative grade point average of at least a 3.0 on a 4.0 scale or the equivalent in high school courses designated by the department, except for students in home education programs during 11th and 12th grade (who must achieve minimum scores on certain standardized tests);
- Be enrolled for at least six semester credit hours or the equivalent in a Florida public or private college or university;
- Have not been convicted of a felony, unless the student's civil rights have been restored by the Governor and Cabinet sitting as the Board of Executive Clemency (not applicable if adjudication of guilt was withheld for an offense);
- Have applied for a scholarship from the program by high school graduation;
- Have applied for a Pell Grant (Pell Grant entitlement is then considered when conducting an assessment of the financial resources available to each student. The evaluation of the student's unmet need must demonstrate a remaining unmet need of at least \$100); and
- Accept an initial scholarship within three years after high school graduation.

Renewal Awards

After receiving an initial scholarship, a student may receive an annual "renewal" scholarship for seven years after high school graduation. To remain eligible for a renewal scholarship, a student must maintain a cumulative grade point average of at least 2.75 on a 4.0 scale or the equivalent in college courses, continue eligibility for financial assistance, and participate in an internship program during at least one summer before the student's senior year in college.

Amount of Scholarships

The committee substitute provides that a student may receive an annual scholarship for up to 45 semester credit hours or the equivalent for the student's demonstrated amount of unmet need for the cost of education. An annual scholarship may not exceed the average prior year's cost of tuition, fees, and assigned books and supplies at state universities or other amounts specified in the General Appropriations Act. The committee substitute provides for graduated amounts of scholarships to be paid to students enrolled for less than full time, as follows:

6 to 8 credit hours	Up to 50 percent of the maximum scholarship
9 to 11 credit hours	Up to 75 percent of the maximum scholarship
12 or more credit hours	Up to 100 percent of the maximum scholarship

If, however, the funds appropriated for the scholarship program are insufficient to pay the maximum allowable scholarship for each eligible applicant, the committee substitute requires that the scholarships be prorated to each applicant using the same percentage reduction.

If funds are available, the committee substitute allows a student to receive a scholarship for enrollment during a summer term. The committee substitute also allows a student's scholarship to transfer from one eligible college or university to another if the student continues to meet the eligibility criteria. The committee substitute prohibits a scholarship from funding remedial or college-preparatory coursework.

Internship Programs

In order to receive an annual renewal scholarship, the committee substitute requires the student to participate in an internship program during at least one summer before the student begins the senior year in college. The internship must comprise at least 160 hours and be relevant to at least one of the targeted industries.

The committee substitute authorizes a college or university with a certified degree program to provide grants to employers in the targeted industries which hire students in the certified degree program as part of a summer internship program approved by the institution. The grants are limited to \$500 per student per summer. In addition, an employer receiving a grant must pay a student in the internship program wages of at least 120 percent of the federal minimum wage. The current federal minimum wage is \$5.15 per hour. Accordingly, the committee substitute would require an employer receiving a grant to pay a student intern at least \$6.18 per hour.

Funding

Funding for the program must be specified in the General Appropriations Act. If, however, the funds appropriated are insufficient to pay the maximum allowable award for each eligible applicant, awards must be prorated to each applicant using the same percentage reduction. The committee substitute also provides that if funds appropriated for the scholarship program are not expended in a fiscal year, up to 20 percent of the amount appropriated will not revert but may be carried forward and used for awards in the following year.

Appropriation

The committee substitute appropriates \$30 million from the General Revenue Fund to implement the program for the 2004-2005 fiscal year.

Effective Date

The committee substitute takes effect July 1, 2004.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:**A. Tax/Fee Issues:**

None.

B. Private Sector Impact:

Students who receive an Innovation Florida Scholarship pay less for their postsecondary education than they would have paid without the scholarship. The amount of savings per student cannot be determined until the number of students who qualify and the amount of the student's unmet need is known.

Students with a demonstrated unmet financial need who enroll in a certified degree program for specified targeted industries may receive scholarships for college or university courses.

Public and nonpublic colleges and universities offering degree programs for specified targeted industries which are certified by the Department of Education may provide scholarships to eligible students with funds awarded by the state.

Participating industries may receive grants from a postsecondary institution for hiring a student to work in an area of targeted employment as part of a summer internship, not to exceed \$500 per intern. An employer that receives a grant must pay a student in an internship program wages at a rate that is at least 120 percent of the federal minimum wage of \$5.15 an hour, which equals \$6.18 per hour.

C. Government Sector Impact:

The committee substitute appropriates \$30,000,000 from General Revenue for the 2004-2005 fiscal year. To calculate a general number of awards to students, the Department of Education estimates that tuition and fees at a state university for the 2003-2004 academic year was \$2,876. After adding \$1,000 for books and supplies and \$125 as one-fourth of the cost of a summer internship payment to an employer, the estimated cost per student totals \$4,001 per year as a potential maximum amount if the student demonstrates that level of unmet need. After dividing the appropriation amount by the cost per student, the result would provide scholarship funding for 7,498 students per year if those students received the maximum need-based award.

VI. Technical Deficiencies:

The committee substitute authorizes a college or university with a certified degree program to provide grants to employers in the targeted industries which hire students in the certified degree program as part of a summer internship program approved by the institution. However, the title of the committee substitute does not appear to provide notice of this provision. The Legislature may wish to amend the committee substitute to provide notice that it authorizes these grants for employers.

VII. Related Issues:

None.

VIII. Amendments:

#1 by Commerce, Economic Opportunities, & Consumer Services:

Amends the title to provide notice of the provision in the committee substitute authorizing a college or university to offer grants to employers in the targeted industries which hire students in the certified degree program as part of a summer internship program approved by the institution.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
